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NEW APPLICATION

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1 FENNEMORE CRAIG
A Professional Corporation
2 Jay L. Shapiro (No. 014650)
Norman D. James (No. 006001)
3 3003 North Central Avenue
Suite 2600
4 Phoenix, Arizona 85012-2913
Telephone: (602) 916-5000

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ARIZONA CORPORATION COMMISSION
DOCUMENT CONTROL

5 Attorneys for Arizona-American
6 Water Company

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W-01303A-03-0572

BEFORE THE ARIZONA CORPORATION COMMISSION

9 IN THE MATTER OF THE
10 APPLICATION OF ARIZONA-
AMERICAN WATER COMPANY,
11 INC., AN ARIZONA
CORPORATION, FOR AUTHORITY
12 TO INCUR LONG-TERM DEBT
THROUGH ITS AFFILIATE
13 AMERICAN WATER CAPITAL
CORP.

Docket No. W-01303A-03-
APPLICATION (FINANCING)

14
15 Pursuant to A.R.S. §§ 40-301 and 40-302, Arizona-American Water Company, an
16 Arizona public service corporation ("Arizona-American" or "Company"), respectfully
17 seeks authority from the Arizona Corporation Commission (the "Commission") to incur
18 long-term debt in the amount of \$25,000,000 on the terms set forth below, and to issue
19 notes or other debt instruments in connection therewith. The support and justification for
20 such financing are as follows:

21 1. Arizona-American is a public service corporation engaged in providing
22 water and wastewater utility services in portions of Maricopa, Mohave and Santa Cruz
23 Counties, Arizona, pursuant to various certificates of public convenience and necessity
24 granted by the Arizona Corporation Commission (the "Commission") to Arizona-
25 American and its predecessors in interest. At the present time, the Company provides
26 utility service to approximately 115,000 customers in Arizona.

1 2. The Company's central business office is located at 19820 North Seventh
2 Street, Suite 201, Phoenix, Arizona 85024, and its telephone number is (623) 445-2400.
3 The Company's President and primary management contact is Ray L. Jones.

4 3. The person responsible for overseeing and directing the conduct of this
5 application is David P. Stephenson. Mr. Stephenson is the Assistant Treasurer of
6 Arizona-American as well as the Director of Rates and Planning of the Western Region of
7 American Water Works Service Company, Inc. Mr. Stephenson's office and mailing
8 addresses are 303 H Street, Suite 250, Chula Vista, California 91910. Mr. Stephenson's
9 telephone number is (619) 409-7712; his telecopier number is (619) 409-7701. **All**
10 **discovery, data requests and other requests for information concerning this**
11 **Application should be directed to Mr. Stephenson, with a copy to undersigned**
12 **counsel for the Company.**

13 4. Arizona-American currently has a capital structure composed of 38.23%
14 equity, 58.37% long-term debt and 3.40% short-term debt. Attached as Exhibit A is a
15 copy of the May 23, 2003 Balance Sheet for Arizona-American.

16 5. Arizona-American proposes to borrow funds from American Water Capital
17 Corporation ("AWCC"), an affiliated entity and the primary funding vehicle for all of
18 American Water Works Inc.'s subsidiary utility companies. Arizona-American was
19 granted approval by the Commission to borrow from AWCC in Decision No. 64002
20 (August 30, 2001), a decision related to Arizona-American's request to finance the
21 acquisition of its purchase of the water and wastewater assets of Citizens Communication
22 Company. In that decision, among other things, the Commission authorized the Company
23 to issue promissory notes and other evidence of long-term indebtedness in a total
24 aggregate principal amount not to exceed \$180 million at an interest rate not to exceed 50
25 basis points above the London Interbank Offer Rate ("LIBOR").

26 6. By comparison, approval of the debt financing at issue herein would

1 authorize Arizona-American to borrow up to \$25,000,000 from AWCC at an interest rate
2 not to exceed 6.5% and for a term not to exceed 30 years. The Company is proposing an
3 upper limit to the interest rate that is slightly higher than used in its' pro-forma financials
4 and a longer term for the note due to the volatility of the debt market and the current
5 favorable long-term interest rates.

6 7. The purpose of such debt is to finance capital improvements and to repay
7 short-term borrowings at the beginning of 2003 of \$12 million. The Company's capital
8 plan for 2003 calls for design and construction of approximately \$23 million in Company
9 funded plant improvements. Attached as Exhibit B is the December 31, 2002 Balance
10 Sheet and attached as Exhibit C is the 2003 Investment Cash Flow identifying the
11 Company's planned plant projects. Many of these improvements are necessary to meet
12 the new standards for arsenic treatment being imposed by the United States government
13 under the Safe Drinking Act. Other improvements are necessary to meet customer
14 demand for facilities upgrades, such as upgrades needed in Arizona-American's Paradise
15 valley water district where customers and town officials are demanding improvements
16 needed to enhance fire protection. Other projects are simply needed for Arizona-
17 American to continue providing safe and reliable water and wastewater utility services to
18 its ratepayers.

19 8. Following approval of the debt financing requested herein, Arizona-
20 American's capital structure would be composed of 36.2% equity, 62.9% long-term debt
21 and 0.9% short-term debt. See Pro-forma Income Statement, Balance Sheet and Cash
22 Flow Statement attached hereto as Exhibit D. The pro-forma income statement assumes
23 the new long-term debt to be a 10 year issuance at an interest rate of 6.0%

24 9. Although Arizona-American is in dire need of rate increases, as evidenced
25 by Arizona-American's November and December 2002 rate filings for several of its
26 operating water and wastewater districts, the Company nevertheless believes its financial

1 position and its cash flow are sufficient to provide for the payment of the accruing interest
2 on the long-term debt in the normal course of its business. See Exhibit D.

3 10. Authorization for Arizona-American to issue appropriate long-term debt
4 instruments in the amount of \$25,000,000 has been obtained from Arizona-American's
5 Board of Directors. A copy of the Board Resolution will be provided as a late filed
6 exhibit.

7 WHEREFORE, Arizona-American respectfully requests the following:

8 A. That the Commission, upon proper notice and at the earliest possible time,
9 conduct a hearing on this Application and the relief requested herein;

10 B. That the Commission issue an order authorizing the Company to incur long-
11 term indebtedness on the terms set forth hereinabove; and

12 C. For such other and further relief as may be appropriate under the
13 circumstances herein.

14 RESPECTFULLY SUBMITTED this 14th day of August, 2003.

15 FENNEMORE CRAIG, P.C.

16
17 By 

18 Jay L. Shapiro
19 Norman D. James
20 Suite 2600
21 3003 North Central Avenue
Phoenix, Arizona 85012
Attorneys for Arizona-American
Water Company, Inc.

22 ORIGINAL and 15 copies of the
23 foregoing hand delivered this 14th
day of August, 2003, to:

24 Docket Control
25 Arizona Corporation Commission
1200 West Washington Street
26 Phoenix, Arizona 85007

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A copy of the foregoing
was delivered this 14th day of
August, 2003, to:

John S. Thorton, Jr.
Chief, Accounting and Rates
Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Lyn A. Farmer, Chief ALJ
Hearing Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Christopher C. Kempley, Chief Counsel
Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

By: Jeannie Ruben

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American Water Works Company
Arizona American Water-CA 23
Total Company (USGAAP)
Comparative Balance Sheet
As of May 23, 2003

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Arizona-American Water Co.

Description		Current Year	Prior Year
ASSETS			
1 Utility Plant		345,910,588	302,288,414
2 Construction work in progress		19,470,738	13,053,256
3 Accumulated depreciation		75,346,538	65,695,091
4 Utility plant acquisition adjustment		32,901,921	70,793,117
5 Other utility plant adjustments			
6 Sub-total Utility Plant		322,936,709	320,439,696
7 Non-Utility property		90,844	90,844
8 Other investments		37,252,022	
Current Assets		1,590,054	244,254
10 Cash and cash equivalents		2,330,712	3,137,051
11 Temporary investments		41,280	10,849
12 Customer accounts receivable		1,245,372	1,614,116
13 Allowance for uncollectible accounts		1,343,907	818,974
14 Unbilled revenues		2,198,183	76,436
15 Pre-refund due from assoc. companies		503,561	1,068,776
16 Miscellaneous receivables			
17 Materials and supplies			
18 Other			
19 Sub-total		9,250,701	6,948,758
20 Total Assets		377,672,796	336,094,807
CAPITAL AND LIABILITIES			
32 Common Stock		522,880	111,411,038
34 Paid in capital		114,268,228	3,580,650
35 Retained Earnings		1,115,169	242,654
36 Unearned Compensation			
37 Rescquired C/S & Accum	Comp Inc		
38 Total common equity		113,875,941	114,748,454
39 Preferred stock		173,818,522	173,848,566
40 Long term debt		287,694,463	288,597,020
41 Total capitalization			
42 Current liabilities		10,119,615	604,821
43 Bank debt		30,204	29,772
44 Accounts Payable		876,293	3,607,478
45 Taxes accrued		750,886	3,249,576
46 Interest accrued		4,370,442	3,170,093
47 Customer deposits		4,213,977	60,520
48 Dividends declared			
49 Other		6,285,271	5,449,477
50 Sub-total		20,894,103	13,171,737
51 Total Liabilities			
52 Sub-total			
53 Total Liabilities			
54 Deferred credits		58,539,718	23,874,158
55 Customer adv. for construction		1,457,936	1,243,554
56 Deferred income taxes		77,156	80,876
57 Deferred investment tax credits		355,878	404,404
58 Reg. liab.-inc. tax.refund thru rates		1,116,366	874,933
59 Other		61,537,054	26,477,925
60 Sub-total		7,547,177	7,848,126
62 Contributions in aid of construction			
Total capital and liabilities		377,672,797	336,094,808

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American Water Works Company
Arizona American Water Co 23
Total Company (USGAAP)
Comparative Balance Sheet
As of December 31, 2002

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Arizona-American Water Co.

Description		Current Year	Prior Year
ASSETS			
1 Utility Plant		337,726,564	29,111,639
2 Construction work in progress		13,513,282	7,518,571
3 Accumulated depreciation		77,181,624	6,433,569
4 Utility plant acquisition adjustment		33,316,439	
5 Other utility plant adjustments			
6 Sub-total Utility Plant		313,377,661	23,625,921
7 Non-Utility property		90,844	90,844
8 Other investments		37,363,643	
Current Assets			
10 Cash and cash equivalents		1,764,426	42,563
11 Temporary investments			
12 Customer accounts receivable		2,737,010	257,371
13 Allowance for uncollectible accounts		3,258	3,389
14 Unbilled revenues		1,200,089	157,100
15 Prepaid due from assoc. companies			
16 Miscellaneous receivables		4,064,104	502,863
17 Materials and supplies		89,247	42,023
18 Other		281,719	108,805
19 Sub-total		10,133,337	1,110,336
20 Sub-total			
22 Deferred debits		568,110	41,022
23 Debt and preferred stock		448,033	5,783
24 Expense of rate proceeding		994,872	65,598
25 Prelim survey & invest charges		322,096	93,383
26 Reg Asset-income tax recovery			1,301,412
27 Other		6,241,581	
28 Sub-total		8,574,692	1,507,198
29 Sub-total		369,541,177	26,334,299
30 Total Assets			
CAPITAL AND LIABILITIES			
32 Common Stock		522,880	522,880
33 Paid in Capital		114,468,228	3,580,070
34 Retained Earnings		446,237	1,803,824
35 Unearned Compensation			
36 Recquired C/S & Accum			
37 Reacquired C/S & Accum			
38 Total common equity		115,437,405	5,912,774
39 Preferred stock			
40 Long term debt		173,824,405	8,272,433
41 Total capitalization		289,261,810	14,185,207
42 Current liabilities			
43 Bank debt		12,517,323	1,450,335
44 Current portion of LTD		31,276	29,373
45 Accounts payable		602,710	113,028
46 Interest accrued		896,907	119,241
47 Interest accrued		1,258,145	168,168
48 Customer deposits		162,467	168,448
49 Dividends declared			
50 Other		6,532,468	293,596
51 Sub-total		22,001,296	1,935,307
52 Sub-total			
54 Deferred credits			
55 Customer adv. for construction		49,213,869	257,158
56 Deferred income tax credits		421,437	1,343,554
57 Deferred investment		378,706	82,426
58 Reg. liab-inc. tax refund thru rates		373,800	426,264
59 Other		608,505	151,790
60 Sub-total		50,696,317	2,161,192
62 Contributions in aid of construction		7,581,753	8,052,594
Total capital and liabilities		369,541,176	26,334,300

Arizona-American Water Co.

Description	December Actual	December Plan	December Variance	December Prior Year	Yr to Date Actual	Yr to Date December Plan	Yr to Date December Variance	Yr to Date December Prior Year	Annual Forecast
1 OPERATING REVENUES									
2 Water	2,337,299	2,519,923	182,624-	347,945	31,762,229	32,783,883	1,021,654-	4,783,083	32,783,883
3 Sewer	868,034	946,521	78,487-	86,922	9,042,754	11,159,919	2,117,165-	11,159,919	11,159,919
4 Other	704,138	369,116	334,022		5,184,732	4,200,905	983,827	622,523	4,200,905
5 Management									
6 Total Revenues	3,909,471	3,826,560	82,911	434,867	45,969,615	48,144,707	2,175,092-	5,405,606	48,144,707
7 OPERATIONS & MAINTENANCE EXPENSE									
8 Labor	229,231	284,945	55,714-	27,027	4,206,618	3,849,130	357,488	461,666	3,849,130
9 Purchased Water	233,400	268,449	35,049-		3,634,146	3,150,011	484,135	4,737	3,150,011
10 Fuel & Power	187,874	387,349	199,475-	56,260	5,193,638	5,418,231	224,593-	1,231,507	5,418,231
11 Chemicals	36,657	55,019	18,362-	3,145	2,932,668	2,811,552	121,116	28,965	2,811,552
12 Waste Disposal	229,592	242,818	13,226-	10,591	4,436,078	3,632,339	803,739	177,319	3,632,339
13 Management Fees	351,983	303,228	48,755	11,504	604,148	689,241	85,093-	135,444	689,241
14 Group Insurance	73,061	20,537	52,524		5,499	4,001	1,498	17,545	4,001
15 Pensions	1,109	248	861		211,840	436,136	224,296-	83,546	436,136
16 Regulatory Expense	57,389	36,619	20,770	5,542	538,940	595,766	56,826-	169,811	595,766
17 Insurance Other Than Group	72,739	47,466	25,273	18,307	1,669,935	1,569,935	100,000	69,198	1,569,935
18 Customer Accounting	15,052	5,564	9,488		529,934	98,268	431,666-	64,635	98,268
19 Rents	81,425	75,944	5,481	4,660	4,318,279	2,556,103	1,762,176-	552,875	2,556,103
20 General Office Expense	112,901	216,894	103,993-	60,335	778,846	931,795	152,949-	140,064	931,795
21 Miscellaneous	83,656	186,488	102,832-	8,114	27,915,110	25,814,237	2,100,873	3,068,104	25,814,237
22 Other Maintenance									
Total Maintenance & Operations Expense	2,036,213	1,638,443	397,770	205,505	27,915,110	25,814,237	2,100,873	3,068,104	25,814,237
23 Depreciation	1,001,051	742,851	258,200	58,368	10,156,962	8,448,482	1,708,480	625,797	8,448,482
24 Amortization	26,288	5,450	20,838	5,450	1,982,132	2,376,005	393,873-	65,394	2,376,005
25 General Taxes	239,431	212,844	26,587	27,617	1,446,190	2,376,005	929,815-	316,388	2,376,005
26 State Income Taxes	58,977	37,695	21,282	5,863	649,777	908,005	258,228-	70,027	908,005
27 Federal Income Taxes	221,674	137,686	83,988	29,375			1,557,782-	263,393	
28 Tax Savings Acquisition Adjustment									
33 Total Operating Expenses	3,104,772	2,774,969	329,803	332,178	39,573,930	37,890,634	1,683,296	4,409,103	37,890,634
34 Utility Operating Income	804,699	1,051,591	246,892-	102,689	6,395,685	10,254,073	3,858,388-	996,503	10,254,073
35 OTHER INCOME & DEDUCTIONS		6,000	6,000-			6,000	6,000-		6,000
36 Non-Operating Rental Income	1,014	9,842	8,828-	269	22,386	32,900	10,514-	406	32,900
37 Dividend Income-Common	168,286	23,800	144,486	4,926	762,382	266,599	495,783	17,884	266,599
38 Dividend Income-Preferred	72,387	22,240	50,147		158,485	479,363	320,878-		479,363
39 Interest Income									
40 APUD Equity									
41 Miscellaneous Income									
42 M & J Miscellaneous Income									
43 Gain(Loss)on Disposition									
45 Total Other Income	241,687	61,882	179,805	5,195	943,253	784,862	158,391	16,290	784,862
46 Miscellaneous Amortization									
47 Tax Savings Acquisition Adjustment									
48 Misc. Other Deductions	8,917	1,207	7,710	681,906	698,137	28,442	669,695	996,395	28,442
49 General Taxes	3,041	383	2,658	54,531-	3,041	1,386-	4,427	79,399-	1,386-
50 State Income Taxes	9,048	12,772	3,724-	219,487-	42,675-	173,715	216,390-	319,581	173,715
51 Federal Income Taxes									
52 Total Other Deductions	21,006	14,362	6,644	407,888	658,503	200,771	457,732	597,415	200,771
53 Total Other Income	220,681	47,520	173,161	402,693-	284,750	584,091	299,341-	579,125-	584,091
54 Income Before Interest Charges	1,025,380	1,099,111	73,731-	300,004-	6,680,435	10,838,164	4,157,729-	437,378	10,838,164
55 INTEREST CHARGES									
56 Interest on Long-Term Debt	704,377	785,210	80,833-	48,812	8,245,865	8,714,429	468,564-	370,834	8,714,429
57 Amortization and Debt Expense	15,607	2,430	13,177	513	35,785	29,160	6,625	6,153	29,160
58 Interest-Short Term Bank Debt	15,296	40,111	24,815-	1,767	35,826	173,604	137,778-	100,296	173,604
59 Other Interest Expense	90,371	16,603-	73,768-	2,678-	290,413-	183,178-	107,235-	9,720-	183,178-
60 AFUDC-Debt									
61 Total Interest Charges	831,110	811,168	19,942-	48,414	8,043,959	8,734,015	690,056-	467,563	8,734,015
62 Net Income	392,270	287,943	104,327	348,418-	1,363,524-	2,104,149	3,467,673-	50,185-	2,104,149
64 Preferred Dividend Declared									
65 Net Income to Common Stock	392,270	287,943	104,327	348,418-	1,363,524-	2,104,149	3,467,673-	50,185-	2,104,149

C

District	Investment Item	Brief Description of Proposed Expenditures	2003	Total Expenditures											
				Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Agua Fria	A	Mains, Hydrants, Valves, Meters - Deposits/Contribution	56,995,800	101,378	101,378	3,922,119	3,922,119	3,922,119	3,922,119	3,922,119	3,922,119	5,927,119	6,882,305	6,882,305	13,568,602
	B	Mains, Hydrants, Valves - Company Expense	245,800	23,575	23,575	23,575	23,575	23,575	23,575	23,575	23,575	23,575	23,575	23,575	23,575
	C	Sewers	338,600	28,300	28,300	28,300	28,300	28,300	28,300	28,300	28,300	28,300	28,300	28,300	28,300
	D	Meters	126,500	10,542	10,542	10,542	10,542	10,542	10,542	10,542	10,542	10,542	10,542	10,542	10,542
	E	Office Furniture & Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
	F	Transportation	50,000	-	-	-	-	-	-	-	-	-	-	-	-
	G	General Equipment	34,000	2,833	2,833	2,833	2,833	2,833	2,833	2,833	2,833	2,833	2,833	2,833	2,833
	H	Miscellaneous	1,010,500	84,208	84,208	84,208	84,208	84,208	84,208	84,208	84,208	84,208	84,208	84,208	84,208
		TOTAL ITEM A THROUGH H	59,839,300	250,836	300,836	4,071,577	4,071,577	4,071,577	4,071,577	4,071,577	4,071,577	6,076,877	7,031,763	7,031,763	13,718,981
Anthem		Current Investment Projects													
	236102-03	Clearwater Farms Booster Sta. Exp. Ph 1	409,200	20,000	75,000	215,000	305,000	310,000	310,000	310,000	380,000	400,000	430,000	400,000	345,000
	236102-04	AF Regional WTP, Phase 1	1,260,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
	236102-05	CAP Transmission Line, Phase 1	825,000	-	72,728	72,728	72,728	72,727	72,727	72,727	72,727	72,727	72,727	72,727	72,727
	238402-01	Sun City West WRF Expansion to 5.0mgd	2,900,000	290,000	285,000	340,000	460,000	530,000	650,000	650,000	540,000	555,000	345,000	300,000	300,000
	238102-01	Ak-Chia Water Fee	1,474,000	-	1,474,000	-	-	-	-	-	-	-	-	-	-
	238102-01	Water Campus Admin. Building	1,385,000	116,000	96,000	3,000	-	-	-	-	-	-	-	-	-
	238102-01	Water Plant Ph 4 Exp.	5,371,400	482,000	283,000	402,000	478,000	332,000	322,000	13,000	13,000	140,000	140,000	140,000	2,000
	238102-01	Well 4 - WWT Ph 3	3,771,200	12,000	12,000	12,000	12,000	12,000	140,000	140,000	140,000	140,000	140,000	140,000	2,000
	238202-01	Anthem Service/Bldg	585,200	33,500	33,500	243,500	3,500	3,500	175,500	271,000	265,000	268,000	272,000	1,457,000	257,000
Anthem		New Investment Projects													
	237302-03	Desert Hills Wall 8 & Storage Expansion	1,000,000	30,000	60,000	200,000	200,000	80,000	60,000	20,000	-	-	-	-	-
	236202-04	Groundwater Savings Study/Project	430,000	30,000	30,000	-	-	-	-	-	-	-	-	-	-
	236602-01	WRF Sludge Handling Facility	2,400,700	120,000	120,000	125,000	185,000	185,000	190,000	225,000	230,000	250,000	230,000	195,000	130,000
		Arsenic Remediation	75,000	-	-	-	-	-	-	-	-	-	-	-	-
		Misc Trans & Dist. oversizing	400,000	5,000	5,000	10,000	25,000	25,000	5,000	-	-	-	-	-	-
		Sierra Montana Booster/Storage	2,725,000	-	-	80,000	-	-	160,000	-	-	-	-	160,000	-
		COP Interconnect	200,000	-	-	-	-	-	-	-	-	-	-	-	-
		Membrane Replacement	225,000	-	220,000	5,000	-	-	10,000	10,000	81,000	6,000	-	450,000	2,275,000
		Recharge Facility	-	-	-	-	-	-	-	-	-	-	-	-	-
Anthem		Arsenic Remediation	125,000	3,000	10,000	10,000	50,000	45,000	7,000	-	-	-	-	-	-
		Main Ext. Aztec to Hammer 2,600' of 8"	330,000	-	5,000	10,000	35,000	10,000	70,000	70,000	70,000	70,000	30,000	6,000	-
		Arsenic Remediation	325,000	5,000	35,000	35,000	35,000	35,000	35,000	35,000	20,000	5,000	5,000	40,000	-
		Arsenic Remediation	270,000	-	10,000	30,000	30,000	30,000	30,000	30,000	30,000	20,000	10,000	25,000	-
		Arsenic Remediation	70,000	-	-	-	-	-	15,000	15,000	10,000	5,000	5,000	10,000	-
		INVESTMENT PROJECT TOTAL	36,237,700	1,249,500	2,939,228	1,923,228	2,011,228	1,789,227	2,262,227	2,032,727	1,972,727	1,889,727	1,859,727	3,273,727	3,606,727
Hook-up Fee Tariff		Hook-up Fee Tariff	85,453,300												
		Miscellaneous	230,000	-	-	-	-	-	-	-	-	-	-	-	-
		Mohave WW	40,000	-	-	-	-	-	-	-	-	-	-	-	-
		Projection for all Agua Fria WW - non Anthem	7,500	-	-	-	-	-	-	-	-	-	-	-	-
		Verrado 1"	54,625	-	-	-	-	-	-	-	-	-	-	-	-
		Verrado 3/4"	56,925	-	-	-	-	-	-	-	-	-	-	-	-
		Verrado 5/8"	55,200	-	-	-	-	-	-	-	-	-	-	-	-
		Verrado WW	52,500	-	-	-	-	-	-	-	-	-	-	-	-
		HOOK-UP FEE TARIFF TOTAL	496,750	-	-	-	-	-	-	-	-	-	-	-	-
Common Facilities Fee		Common Facilities Fee													
		Bell West Ranch Parcel 1,3&4	185,818	-	-	-	-	-	-	-	-	-	-	-	-
		Colonwood Estates	50,000	-	-	-	-	-	-	-	-	-	-	-	-
		Grand Ave Professional Plaza	9,200	-	-	-	-	-	-	-	-	-	-	-	-
		Legacy Parc A,B,C&D	97,597	-	-	-	-	-	-	-	-	-	-	-	-
		Legacy Parc E,F&J	127,611	-	-	-	-	-	-	-	-	-	-	-	-
		Maryland Ranch	4,954	-	-	-	-	-	-	-	-	-	-	-	-
		Northwest Ranch	90,608	-	-	-	-	-	-	-	-	-	-	-	-
		Tish Property	124,362	-	-	-	-	-	-	-	-	-	-	-	-
		COMMON FACILITIES FEE TOTAL	693,149	-	-	-	-	-	-	-	-	-	-	-	-
CASH FLOW SUMMARY		CASH FLOW SUMMARY													
		Total Construction Expenditures	85,453,300	1,500,336	3,240,064	5,999,805	6,082,805	5,859,804	6,333,804	6,104,304	6,044,304	7,966,304	8,691,490	10,305,490	17,324,768
		Facilities Advances	51,505,270	-	1,474,000	3,820,742	3,820,742	3,820,742	3,820,742	3,820,742	3,820,742	3,820,742	4,775,927	4,775,927	13,737,225
		Facilities Contributions	8,020,000	856,959	209,130	-	4,954	47,204	127,611	407,104	2,318,484	2,005,000	2,005,000	2,005,000	2,005,000
		Cash Advances	496,750	23,125	23,125	23,125	23,125	23,125	23,125	23,125	23,125	23,125	24,124	90,608	4,003,350
		Cash Contributions	68,331,829	880,084	1,706,255	3,842,867	3,848,820	3,891,071	3,971,476	4,250,971	6,162,351	5,846,867	7,116,340	6,967,743	19,847,983
		Net Construction Cash Flow	17,121,471	620,252	1,533,009	2,155,939	2,233,985	1,968,733	2,362,327	1,853,333	(118,047)	2,117,438	1,573,150	3,337,747	(2,517,965)
		Refunds	6,102,034	52,650	-	52,650	-	-	4,644,566	52,650	1,246,768	52,650	-	-	-
		Total Capital Cash Flow	23,223,505	672,902	1,533,909	2,155,939	2,286,635	1,968,733	7,006,983	1,905,983	1,128,721	2,117,438	1,625,800	3,337,747	(2,517,965)

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District	Investment Item	Brief Description of Proposed Expenditures	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Total
	A	Mains, Hydrants, Valves, Meters - Deposit/Contribution	-	-	-	-	-	-	-	-	2,005,000	2,005,000	2,005,000	2,005,000	8,020,000
	B	Mains, Hydrants, Valves - Company Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
	C	Services	-	-	-	-	-	-	-	-	-	-	-	-	-
	D	Meters	-	-	-	-	-	-	-	-	-	-	-	-	-
	E	Office Furniture & Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
	F	Transportation	-	-	-	-	-	-	-	-	-	-	-	-	-
	G	General Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
	H	Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-	-
		TOTAL ITEM A THROUGH H	-	-	-	-	-	-	-	-	2,005,000	2,005,000	2,005,000	2,005,000	8,020,000
		Current Investment Projects													
Agua Fria	236102-03	Clearwater Farms Booster Sta. Exp. Ph1	-	-	-	-	-	-	-	-	-	-	-	-	-
Agua Fria	236102-04	AF Regional WTP, Phase 1	-	-	-	-	-	-	-	-	-	-	-	-	-
Agua Fria	236102-05	CAP Transmission Line, Phase 1	-	-	-	-	-	-	-	-	-	-	-	-	-
Anthem Retail/Agua Fria WW	238402-01	Sun City West WRF Expansion to 5 mgd	-	-	-	-	-	-	-	-	-	-	-	-	-
Anthem Treatment & Non Potable	238102-01	Ak-Chin Water Fee	-	-	-	-	-	-	-	-	-	-	-	-	-
Anthem Treatment & Non Potable	238102-01	Water Campus Admin. Building	-	-	-	-	-	-	-	-	-	-	-	-	-
Anthem Treatment & Non Potable	238102-01	Water Plant Ph. 4 Exp.	-	-	-	-	-	-	-	-	-	-	-	-	-
Anthem Treatment WW	238202-01	Well 4	-	-	-	-	-	-	-	-	-	-	-	-	-
Anthem Treatment WW	238202-01	Anthem WWTP Phase 3	-	-	-	-	-	-	-	-	-	-	-	-	-
Northwest Ranch	238202-01	Electric Service Back-up Power Expansion	-	-	-	-	-	-	-	-	-	-	-	-	-
Northwest Ranch	238202-01	Red Hills Well 8 Storage Expansion	-	-	-	-	-	-	-	-	-	-	-	-	-
Sun City	238202-04	Grand Staircase SRA Project	-	-	-	-	-	-	-	-	-	-	-	-	-
Sun City West WW	238602-01	WRF Sludge Handling Facility	-	-	-	-	-	-	-	-	-	-	-	-	-
		New Investment Projects													
Agua Fria		Arsenic Remediation	-	-	-	-	-	-	-	-	-	-	-	-	-
Agua Fria		Misc Trans & Distr oversizing	-	-	-	-	-	-	-	-	-	-	-	-	-
Agua Fria		Sierra Montana Booster/Storage	-	-	-	-	-	-	-	-	-	-	-	-	-
Anthem Treatment & Non Potable		COP Interconnect	-	-	-	-	-	-	-	-	-	-	-	-	-
Anthem Treatment WW		Membrane Replacement	-	-	-	-	-	-	-	-	-	-	-	-	-
Anthem Treatment WW		Recharge Facility	-	-	-	-	-	-	-	-	-	-	-	-	-
Havasu Water		Arsenic Remediation	-	-	-	-	-	-	-	-	-	-	-	-	-
Mohave WW		Main Ext. Aztec to Hammer 2,600' of 6"	-	-	-	-	-	-	-	-	-	-	-	-	-
Paradise Valley		Arsenic Remediation	-	-	-	-	-	-	-	-	-	-	-	-	-
Sun City West		Arsenic Remediation	-	-	-	-	-	-	-	-	-	-	-	-	-
Tubac		Arsenic Remediation	-	-	-	-	-	-	-	-	-	-	-	-	-
		INVESTMENT PROJECT TOTAL	-	-	-	-	-	-	-	-	2,005,000	2,005,000	2,005,000	2,005,000	8,020,000
		Hook-Up Fees Tariff													
		Misc Commercial/Residential	-	-	-	-	-	-	-	-	-	-	-	-	-
		Mohave WW misc	-	-	-	-	-	-	-	-	-	-	-	-	-
		Projection for all Agua Fria WW - non Anthem	-	-	-	-	-	-	-	-	-	-	-	-	-
		Verrado Trk	-	-	-	-	-	-	-	-	-	-	-	-	-
		Verrado 5th	-	-	-	-	-	-	-	-	-	-	-	-	-
		Verrado 5th*	-	-	-	-	-	-	-	-	-	-	-	-	-
		Verrado 5th**	-	-	-	-	-	-	-	-	-	-	-	-	-
		Verrado WW	-	-	-	-	-	-	-	-	-	-	-	-	-
		HOOK-UP FEE TARIFF TOTAL	-	-	-	-	-	-	-	-	-	-	-	-	-
		Common Facilities Fee													
		Bell West Ranch Parcel 1,3&4	-	-	-	-	-	-	-	-	-	-	-	-	-
		Cottonwood Estates	-	-	-	-	-	-	-	-	-	-	-	-	-
		Grand Ave Professional Plaza	-	-	-	-	-	-	-	-	-	-	-	-	-
		Legacy Parc A,B,C&D	-	-	-	-	-	-	-	-	-	-	-	-	-
		Legacy Parc Par E,F&J	-	-	-	-	-	-	-	-	-	-	-	-	-
		Mayland Ranch	-	-	-	-	-	-	-	-	-	-	-	-	-
		Northwest Ranch	-	-	-	-	-	-	-	-	-	-	-	-	-
		Tish Property	-	-	-	-	-	-	-	-	-	-	-	-	-
		COMMON FACILITIES FEE TOTAL	-	-	-	-	-	-	-	-	-	-	-	-	-
		CASH FLOW SUMMARY													
		Total Construction Expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-
		Facilities Advances	-	-	-	-	-	-	-	-	-	-	-	-	-
		Facilities Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
		Cash Advances	-	-	-	-	-	-	-	-	-	-	-	-	-
		Cash Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
		Net Construction Cash Flow	-	-	-	-	-	-	-	-	-	-	-	-	-
		Refunds	-	-	-	-	-	-	-	-	-	-	-	-	-

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FORM 168A

FORM 168A FORECAST

ANNUAL PLAN YEAR: 2003

ANNUAL BUSINESS PLAN
ARIZONA-AMERICAN WATER

DESCRIPTION:	Mar 31, 2003	ADJUSTMENTS	Dec 31, 2003 RE-STATED
OPERATING REVENUES			
WATER	32,648,067	0	32,648,067
SEWER	12,160,032	0	12,160,032
OTHER	4,021,837	0	4,021,837
MANAGEMENT	0	0	0
TOTAL	48,829,936	0	48,829,936
OPERATION EXPENSE			
LABOR	4,753,837	0	4,753,837
PURCHASED WATER	3,836,393	0	3,836,393
FUEL AND POWER	5,637,273	0	5,637,273
CHEMICALS	372,778	0	372,778
WASTE DISPOSAL	3,931,588	0	3,931,588
MANAGEMENT FEES	5,134,259	0	5,134,259
GROUP INSURANCE	821,751	0	821,751
PENSIONS	23,957	0	23,957
REGULATORY EXPENSE	0	0	0
INSURANCE, OTHER THAN GROUP	391,295	0	391,295
CUSTOMER ACCOUNTING	656,745	0	656,745
RENTS	233,958	0	233,958
GENERAL OFFICE EXPENSE	626,033	0	626,033
MISCELLANEOUS	3,278,564	0	3,278,564
MAINTENANCE EXPENSE	881,611	0	881,611
TOTAL	30,580,042	0	30,580,042
DEPRECIATION	10,685,257	0	10,685,257
AMORTIZATION	315,564	0	315,564
GENERAL TAXES	2,140,582	0	2,140,582
STATE INCOME TAXES	46,858	(11,120)	35,738
FEDERAL INCOME TAXES	(1,695,854)	(78,515)	(1,774,369)
TAX SAVING - RE: ACQ. ADJ.	0	0	0
TOTAL OPERATING EXPENSES	42,072,449	(89,635)	41,982,814
UTILITY OPERATING INCOME	6,757,486	89,635	6,847,121
OTHER INCOME AND DEDUCTIONS			
NONOPERATING RENTAL INCOME	0	0	0
DIVIDEND INCOME - COMMON	0	0	0
- PREFERRED	0	0	0
INTEREST INCOME	0	0	0
AFUDC EQUITY	535,553	0	535,553
M&J AND MISCELLANEOUS INCOME	910,601	0	910,601
GAIN (LOSS) ON DISPOSITION	2,000,000	0	2,000,000
TOTAL OTHER INCOME 36-44	3,446,154	0	3,446,154
MISCELLANEOUS AMORTIZATION	0	0	0
TAX SAVING - RE: ACQ. ADJ.	0	0	0
MISCELLANEOUS OTHER DEDUCTIONS	368,002	0	368,002
GENERAL TAXES	0	0	0
STATE INCOME TAXES	(20)	0	(20)
FEDERAL INCOME TAXES	1,524,566	0	1,524,566
TOTAL OTHER DEDUCTIONS 46-51	1,892,548	0	1,892,548
TOTAL OTH. INC., NET 45 LESS 52	1,553,606	0	1,553,606
INCOME BEF. INT. CHGS. 34 PLUS 53	8,311,092	89,635	8,400,727
INTEREST CHARGES	0	0	0
INTEREST ON LONG TERM DEBT	8,475,744	304,154	8,779,898
AMORTIZATION OF DEBT EXPENSE	45,336	3,334	48,670
INT. ON SHORT TERM BANK DEBT	35,260	0	35,260
OTHER INTEREST EXPENSE	356,455	(72,038)	284,417
AFUDC DEBT	(260,717)	0	(260,717)
TOTAL 56-60	8,652,078	235,450	8,887,528
NET INCOME 54 LESS 60	(340,986)	(145,815)	(486,801)
PREFERRED DIVIDENDS	0	0	0
NET INCOME TO COMMON STOCK	(340,986)	(145,815)	(486,801)
BEGINNING RETAINED EARNINGS	446,297	0	446,297
ADJUSTMENTS, NET	0	0	0
COMMON DIVIDENDS	473,729	0	473,729
ENDING RETAINED EARNINGS	(368,418)	(145,815)	(514,233)
COMMON STOCK END OF PRIOR YR	522,880	0	522,880
PAID IN CAPITAL-END OF PRIOR YR	114,468,228	0	114,468,228
TOTAL COMMON EQUITY	114,622,690	(673,133)	113,949,557
NET INCOME TO COMMON STK-PRIOR YR	(1,363,524)	0	(1,363,524)
ADD NET INCOME TO COMMON STOCK	(340,986)	(145,815)	(486,801)
DEDUCT NET INCOME TO COMMON STK	(1,363,524)	0	(1,363,524)
TOTAL NET INCOME TO COMMON STOCK	(340,986)	(145,815)	(486,801)
RATE OF RETURN ON COMMON EQUITY	-0.30%	21.66%	-0.43%
ARIZONA-AMERICAN WATER	YEAR	YEAR	YEAR

ARIZONA - AMERICAN WATER COMPANY

FORM 163

08/08/03

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BALANCE SHEET

	Mar 31, 2003	ADJUSTMENTS	Dec 31, 2003 RE-STATED
ASSETS			
Utility Plant	\$ 427,276,228	\$ 5,662,677	\$ 432,938,905
Construction Work in Process	7,676,846	-	7,676,846
Accumulated Depreciation	(82,159,231)	-	(82,159,231)
Utility Plant Acquisition	33,319,439	-	33,319,439
Other Utility Plant Adjustments	-	-	-
Total Utility Plant	\$ 386,113,282	\$ 5,662,677	\$ 391,775,959
Non-Utility Property	90,844	-	90,844
Other Investments	37,364,643	-	37,364,643
Current Assets:			
Cash and Cash Equivalents	1,721,398	(1,675,253)	46,145
Temporary Invests at Cost Plus Accr Interest	-	-	-
Customer Accounts Receivable	2,560,013	-	2,560,013
Allowance for Uncollectible Accounts	(53,634)	-	(53,634)
Unbilled Revenues	1,386,307	-	1,386,307
FIT Refund due from Assoc. Companies	1,010,398	82,407	1,092,805
Miscellaneous Receivables	3,274,812	-	3,274,812
Materials and Supplies at Average Cost	89,247	-	89,247
Other	344,708	-	344,708
Total Current Assets	\$ 10,333,248	\$ (1,592,846)	\$ 8,740,402
Deferred Debits			
Debt and Preferred Expenses	772,774	(3,334)	769,440
Expense of Rate Proceedings	988,033	-	988,033
Preliminary Survey & Investigation Charges	862,177	-	862,177
Reg Asset-Income Tax Recovery Thru Rates	319,216	-	319,216
Other	7,463,057	-	7,463,057
Total Deferred Assets	\$ 10,405,257	\$ (3,334)	\$ 10,401,923
TOTAL ASSETS	\$ 444,307,274	\$ 4,066,497	\$ 448,373,771
CAPITAL AND LIABILITIES			
Common Stock	\$ 522,880	\$ -	\$ 522,880
Paid in Capital	114,468,228	-	114,468,228
Retained Earnings	(368,418)	(145,815)	(514,233)
Unearned Compensation	-	-	-
Reacquired C/S & Accum Comp Inc	-	-	-
Total Common Equity	\$ 114,622,690	\$ (145,815)	\$ 114,476,875
Preferred Stock	-	-	-
Long Term Debt	173,809,359	25,000,000	198,809,359
Total Capitalization	\$ 288,432,049	\$ 24,854,185	\$ 313,286,234
Current Liabilities:			
Bank Debt Pending Issuance of Securities	23,927,323	(21,027,323)	2,900,000
Current Portion of LTD	15,046	-	15,046
Accounts Payable	577,025	-	577,025
Taxes Accrued	319,658	-	319,658
Interest Accrued	1,134,314	246,863	1,381,177
Customer Deposits	234,454	-	234,454
Dividends Declared	-	-	-
Other	6,579,739	-	6,579,739
Total Current Liabilities	\$ 32,787,559	\$ (20,780,460)	\$ 12,007,099
Deferred Credits:			
Customer Advances for Construction	102,926,714	-	102,926,714
Deferred Income Taxes	4,324,828	(7,228)	4,317,600
Deferred Investment Tax Credits	78,706	-	78,706
Reg. Liab-Inc.Tax.Recoverable Thru Rates	321,336	-	321,336
Other	1,257,579	-	1,257,579
Total Deferred Credits	\$ 108,909,163	\$ (7,228)	\$ 108,901,935
Contributions in Aid of Construction	14,178,503	-	14,178,503
Total capital and liabilities	\$ 444,307,274	\$ 4,066,497	\$ 448,373,771
	(0)	0	(0)

ARIZONA - AMERICAN WATER COMPANY
Statement of Cash Flows
For the Year 2003

	Mar 31, 2003	ADJUSTMENTS	Dec 31, 2003 RE-STATED
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income	(340,986)	(145,815)	(486,801)
Adjustments:			
Depreciation and amortization	11,000,821	0	11,000,821
Deferred Income Taxes	3,495,014	(7,228)	3,487,786
Deferred Rate Case Cost	(540,000)	0	(540,000)
Deferred Tank Painting	0	0	0
ITC Amortization	0	0	0
Provision for Accounts receivable	0	0	0
AFUDC	(535,553)	0	(535,553)
Abandonment loss	0	0	0
Pension expense in excess of funding	(102,420)	0	(102,420)
Deferred income from taxable contributions	0	0	0
Deferred Programmed maintenance	0	0	0
OPEBS	0	0	0
Amortization deferred Costs	277,036	3,334	280,370
Other, net	(621,451)	0	(621,451)
Changes in assets and liabilities			
Accounts receivable	227,373	0	227,373
Unbilled revenues	(186,218)	0	(186,218)
Materials & Supplies	0	0	0
Other current assets	(284,095)	(82,407)	(366,502)
Federal income tax receivable from/due to associated co.	0	0	0
Other long-term assets	0	0	0
Accrued other postretirement and pension benefits	0	0	0
Accounts payable	(25,686)	0	(25,686)
Accrued taxes	(168,872)	0	(168,872)
Interest accrued	(123,831)	246,863	123,032
Other current liabilities	119,258	0	119,258
Other long-term liabilities			
NET CASH FROM OPERATIONS	<u>12,190,391</u>	<u>14,747</u>	<u>12,205,138</u>
NET CASH TO REVENUE	1,780	2	1,782
CASH FLOW FROM INVESTING ACTIVITIES			
Construction expenditures	(85,286,562)	(5,662,677)	(90,949,239)
Restricted Cash	0	0	0
Investment in stock of subsidiary	0	0	0
AFUDC	535,553	0	535,553
Removal costs of property, plant and equipment	(367,000)	0	(367,000)
Acquisitions	0	0	0
NET CASH USED	<u>(85,118,009)</u>	<u>(5,662,677)</u>	<u>(90,780,686)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long-term debt	0	25,000,000	25,000,000
Proceeds from common stock	0	0	0
Receivable from associated company	0	0	0
Net bank loans	11,410,000	(21,027,323)	(9,617,323)
Advances and contributions	62,229,595	0	62,229,595
Repayment of long-term debt	(31,276)	0	(31,276)
Debt issuance costs	(250,000)	0	(250,000)
Repay preferred stocks	0	0	0
Preferred dividends	0	0	0
Common dividends	(473,729)	0	(473,729)
CASH FROM FINANCING	<u>72,884,590</u>	<u>3,972,677</u>	<u>76,857,267</u>
NET CASH FOR THE YEAR	(43,029)	(1,675,253)	(1,718,282)
Cash at 1/1	<u>1,764,426</u>	0	<u>1,764,426</u>
Cash at 12/31	<u>1,721,397</u>	<u>(1,675,253)</u>	<u>46,144</u>
Bank Loans at 1/1	12,517,323	0	12,517,323
Borrowed in year	<u>11,410,000</u>	<u>(21,027,323)</u>	<u>(9,617,323)</u>
BANK LOANS AT 12/31	<u>23,927,323</u>	<u>(21,027,323)</u>	<u>2,900,000</u>
CASH IN YEAR FOR:			
Interest	8,956,030	(14,747)	8,941,283
Income taxes	1,649,190	0	1,649,190
Net cash from operations	12,190,391	14,747	12,205,138
CASH FOR INTEREST COVERAGE	<u>22,795,610</u>	<u>0</u>	<u>22,795,610</u>
COVERAGE	2.55	-	2.55